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## MEMORANDUM

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*April 21, 2020*  
*Updated May 20, 2020*

**To:** Governors  
**From:** Bill McBride, National Governors Association  
**Re:** Cost Share Considerations for FEMA Public Assistance Grants

### **Introduction**

There are many grant programs available through federal agencies to support disaster response and recovery activities. On March 13, 2020 when President Trump [declared a nationwide emergency](#) pursuant to Sec. 501(b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, he directed FEMA “to assist state, local, tribal, territorial governments and other eligible entities with the health and safety actions they take on behalf of the American public” and activated the FEMA Public Assistance (PA) program. The reimbursable activities were limited to [Category B](#), emergency protective measures, and include costs related to the activation of State Emergency Operations Centers, National Guard missions, law enforcement and other measures necessary to protect public health and safety, as well as [emergency purchase and distribution of food](#) and [non-congregate sheltering](#). Reimbursements for these expenses will be provided at a 75 percent federal cost share; the remaining 25 percent of costs must be covered by the state and/or its localities.

**Update:** In an email to governors’ offices on May 19, the White House announced that states *may* use Coronavirus Relief Fund (CRF) dollars, provided under the CARES Act, to pay for FEMA’s 25 percent cost share requirements under the Stafford Act.

### **Landscape of Cost Share Structures:**

In addition to using CARES Act funds to supplement cost share requirements, states may provide for their 25 percent match in a variety of ways. In a 2016 survey, the National Emergency Management Association found that at least 40 states pay at least some of the required match with localities covering the remainder. Among those 40, four states and the District of Columbia pay the entire cost-share requirement, seven divide it evenly with localities, 10 divide it unevenly, and the remainder have arrangements that are determined on a case-by-case basis, depending on the emergency. Some examples include:

- [Missouri](#) traditionally pays 10 percent of the required 25 percent non-federal match for emergencies of all types.
- In [Florida](#), the state provides the entire required match amount for state agencies and one-half of the required match for grants awarded to local governments. In extreme cases of hardship, eligible localities have the option of applying for a waiver of the required match amount or request a deferral of payment for their required match.
- In [California](#), the state provides up to 75 percent of the 25 percent cost share requirement for local governments through the California Disaster Assistance Act. State agencies, tribal governments and private nonprofits are not eligible under this legislation and therefore these agencies must fund 100 percent of the entire non-federal share using their own resources.



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- For COVID-19, [Kentucky](#) has announced that the state government will pay 12 percent of the non-federal cost share; the remaining 13 percent will be paid by the applicants (localities.)
- For COVID-19, [Washington](#) will provide for the entirety of the 25 percent non-federal match.

Match requirements generally cannot be paid with other federal funds, with the exception of HUD Community Development Block Grants for Disaster Recovery (CDBG-DR.) These monies can be used to pay for FEMA PA Category B expenses. There are challenges in using CDBG-DR to make the match: differences in program requirements, including in grant amounts as well and timing, can cause alignment difficulties; however, states like [Louisiana](#) routinely use this approach successfully to assist local entities, state agencies, and other PA applicants with their cost share requirement.<sup>1</sup>

### **Indirect/Administrative Costs**

The indirect costs of administering PA grants are significant. These costs are provided directly to the state or tribal government with the disaster declaration, not to the individual applicants in the communities. For indirect management costs, FEMA has established that it will provide a maximum of 3.34 percent of the federal share of projected eligible PA Program costs for major disaster declarations (and 3.9 percent of the federal share of projected eligible program costs for emergency declarations).<sup>2</sup> FEMA, through the chief financial officer, works with the grantees to develop a “lock-in” amount of management costs within 12 months of the declaration, and that amount cannot exceed \$20 million, unless specifically exempted by FEMA. FEMA provides guidance on examples of activities that should be classified management costs in its [Public Assistance Policy Guide](#). FEMA is also providing [administrative relief](#) to financial assistance recipients affected by the loss of operational capacity and increased costs due to the COVID-19 crisis.

### **Waivers**

Since the 2005 Gulf storm season, Congress has begun exercising its power to increase the size of the federal cost-share more regularly.<sup>3</sup> Waivers on the non-federal cost share requirement are generally limited by category and by time- for instance, the requirement may be reduced to zero percent for Category A and B expenses for the first five days of an incident. Such a waiver was granted recently, and retroactively, for [West Virginia](#), where the federal cost-share for PA projects was increased from 75 percent to 90 percent for storms and flooding that occurred in 2016. Similarly, [Texas](#) received a waiver that authorized a 100 percent federal cost share for emergency protective measures, including direct federal assistance, for 30 days from the start of Hurricane Harvey, and then a 90 percent federal cost share thereafter.

### **Historical Examples**

<sup>1</sup> HUD Exchange. (2015). Success with Local Match: NYC Recovery [PowerPoint Slides]. Retrieved from <https://www.hudexchange.info/onecpd/assets/File/2015-CDBG-DR-Training-Planning-for-FEMA-Match-NYC.pdf>.

<sup>2</sup> Congressional Research Service. FEMA’s Public Assistance Grant Program: Background and Considerations for Congress (R43990: April 16, 2015), by J. Brown and D. Richardson. Retrieved from <https://fas.org/sgp/crs/homesec/R43990.pdf>; Accessed April 16, 2020.

<sup>3</sup> Congressional Research Service. FEMA Disaster Cost-Shares: Evolution and Analysis (R41104: April 4, 2013), by J. Brown and B. Lindsay. Retrieved from <https://fas.org/sgp/crs/homesec/R41101.pdf>; Accessed April 16, 2020.



The non-federal cost share requirement has been handled in a multitude of ways for a variety of emergencies. Select examples include:

- **2019 Midwest Floods:** Under their State Public Assistance Program Rules, [Oklahoma](#)'s state government funded 75 percent of project costs after the federal cost share was applied. Grantees (localities and private nonprofits) paid the remainder.
- **2018 Earthquake:** [Alaska](#)'s plan for meeting the 25 percent cost-share requirement does not require any contributions from localities. The state maintains a Disaster Relief Fund, which was used to meet the cost-share requirements of the earthquake.
- **2018 Hurricane Florence:** Although the non-federal cost share requirements for Category B expenses were in excess of \$56 million, [North Carolina](#) provided for the match from state resources.
- **2017 Hurricane Maria:** For [Puerto Rico](#), FEMA authorized 100 percent funding of emergency work—debris removal and emergency protective measures—for eight months with zero cost to the government of Puerto Rico.
- **2013 Rainfall and Mudslides:** To address the damage caused by two weeks of near continuous rain as well as subsequent mudslides, [Colorado](#) split the 25 percent cost share between the state and local governments, with each paying 12.5 percent. Private nonprofits paid the entirety of the cost-share requirement for their projects.
- **2012 Hurricane Sandy:** [New Jersey](#) received a waiver for their match requirement lowering their contribution to 10 percent. For several hurricane-impacted localities, the 10 percent match was still a significant financial burden. Rather than raise taxes in communities affected by the storm, the state covered some or all of the 10 percent cost share through their Non-Federal Cost Share (Match) Program, which was backed by CDBG-DR funds.

### **Other Federal Grant Programs**

There are a number of other federal grant programs that include a cost share requirement by states using non-federal funds; however, none have been authorized at the time of this memo.

### **Resources**

[Procurement Under Grants: Rules Under Exigent or Emergency Circumstances](#)

[Disaster Financial Management Guide](#)

[FEMA Public Assistance Policy Guide](#)

*For questions or concerns related to the contents of this memo, please contact NGA staff:*

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